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NATURAL RESOURCES-OIL AND GAS LAW

SANTA FE, NEW MEXICO 87504-2265

JASON KELLAHIN (RETIRED 1991)

August 20, 1998

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

98 AUG 20 PM 2:02

OIL CONSERVATION DIV.

Re: San Juan "27-5" Unit Well No. 85-E
W/2 equivalent Section 5, T27N, R5W, NMPM
Application of Burlington Resources Oil & Gas Company
for an Unorthodox Gas Well Location,
Rio Arriba County, New Mexico

12045

Dear Ms. Wrotenbery:

On behalf of Burlington Resources Oil & Gas Company, please find enclosed our application for an unorthodox gas well location which we request be set for hearing on the next available Examiner's docket now scheduled for September 17, 1998. Also enclosed is our proposed notice for the advertisement.

Very truly yours,



W. Thomas Kellahin

cc: Burlington Resources Oil & Gas Company
Attn: Alan Alexander

Case 1-2045: Application of Burlington Resources Oil & Gas Company for an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant seeks approval to drill its proposed San Juan "27-5" Unit Well No. 85-E at an unorthodox gas well location 795 feet from the north line and 2435 feet from the west line (Unit C) of Irregular Section 5, Township 27 North, Range 5 West, NMPM, to the base of the Dakota formation, said location being unorthodox for any and all gas production from the Mesaverde and Dakota formations, and, if productive, to be dedicated to a standard 319.81-acre gas spacing and proration unit consisting of Lots 3 and 4, S/2NW/4 and SW/4 (W/2 equivalent) of said Section 5. Said location is located approximately 7 miles south from Gobernador Camp, New Mexico.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF BURLINGTON RESOURCES OIL & GAS COMPANY
FOR AN UNORTHODOX GAS WELL,
RIO ARRIBA COUNTY, NEW MEXICO**

CASE: 12045

APPLICATION

Comes now BURLINGTON RESOURCES OIL & GAS COMPANY ("Burlington") by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division ("NMOCD") for approval to drill its proposed San Juan "27-5" Unit Well No. 85-E at an unorthodox gas well location 795 feet from the north line and 2435 feet from the west line (Unit C) of Irregular Section 5, Township 27 North, Range 5 West, NMPM, to the base of the Dakota formation, said location being unorthodox for any and all gas production from the Mesaverde and Dakota formations, and, if productive, to be dedicated to a standard 319.81-acre gas spacing and proration unit consisting of Lots 3 and 4, S/2NW/4 and SW/4 (W/2 equivalent) of said Section 5.

In support thereof, Applicant states:

1. Burlington is the operator of the San Juan 27-5 Unit and proposes to drill its San Juan "27-5" Unit Well No. 85-E ("Well 85-E") at an unorthodox gas well location 795 feet from the north line and 2435 feet from the west line (Unit C) of Irregular Section 5, Township 27 North, Range 5 West, NMPM.
2. On May 19, 1953, the Division entered Order R-322 which approved the unit agreement for the development and operation of San Juan 27-5 Unit which is a voluntary exploratory unit consisting of all federal oil & gas leases.
3. Burlington proposes to drill Well 85-E to a depth sufficient to test for gas production from the Dakota and/or Mesaverde formations within a standard 319.81 acre standard gas proration and spacing unit consisting of Lots 3 and 4, S/2NW/4 and SW/4 (W/2 equivalent) of said Section 5.

4. This unit is currently dedicated to the San Juan "27-5" Unit Well No. 85 located at a standard well location in Unit K of said Section 5, which is producing from the Basin-Dakota Gas Pool.

5. Previously, Burlington had planned to drill two wells in the NW/4 equivalent of said Section 5, one a Dakota well and the other a Mesaverde well. Towards that end:

(a) On January 8, 1998, the Division entered Order R-10936 which approved a Blanco-Mesaverde pilot 160-acre infill drilling program within the San Juan 27-5 Unit which included a provision for a "buffer zone" along the outer boundary of this unit, said buffer zone includes the N/2 of said Section 5.

(b) In February, 1998, Burlington submitted to the U.S. Bureau of Land Management ("BLM") an application for permit to drill ("APD") the subject Well 85-E as an infill Basin-Dakota gas well at a standard location 825 feet FWL and 1075 feet FNL (Unit D) of said Section 5 which was approved by the BLM.

6. On July 13, 1998, Burlington submitted to the Division an administrative application for approval of the Well 85-E at this proposed unorthodox gas well location.

7. Burlington failed to include sufficient geologic and engineering data to justify this administrative application and on July 23, 1998, the Division denied Burlington's administrative application.

8. Burlington has re-evaluated this plan to drill separate Dakota and Mesaverde wells in the NW/4 equivalent of said Section 5 and has determined the drilling of a single well (the Well 85-E) at the proposed unorthodox location is the most efficient manner of development for the following reasons:

(a) A Dakota well located at the proposed unorthodox location is geologically comparable with the previously approved standard location;

(b) A Mesaverde well located at the proposed unorthodox location is geologically superior to the previously approved Dakota standard location;

(c) the utilization of a single wellbore results in substantial economic savings.

(d) Burlington plans to downhole commingle production from this single wellbore after the Dakota formation has been tested and evaluated.

(e) the unorthodox location only encroaches upon the NE/4 equivalent of said Section 5 which is also included in the Dakota and Mesaverde participating areas for the San Juan 27-5 Unit, thus correlative rights will be protected because production from the subject well will be shared equitably by the owners of the unit.

9. Approval of this application will afford the owners of the San Juan 27-5 Unit the opportunity to produce their just and equitable share of the gas underlying this unit, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

10. Notification of this application to the offsetting affected parties is not required in this case because the parties encroached upon are the same parties who will share in any production from this well.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

BY 

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